

Recent Tax Changes – Form 990

Sonia Reynolds, CPA
Jain and Associates
11710 Plaza America Drive, Suite 2000
Reston, VA 20190
703-880-8402



Government Accountability Office

- Tax exempt sector under section 501c covers over 1.5 million entities
- Chairman of the House Committee on Ways and Means asked the GAO to address:
 - The growth of the tax exempt sector
 - Ensure the integrity of the entities
 - The IRS's capacity for overseeing the exempt sector
 - States oversight and relations with the IRS



Form 990 Background

- The Form 990 did not have a major revision since 1979.
- The new form went into effect for the 2008 tax year (due May 15, 2009 and after)
- The reporting requirements increased
- Up to 16 additional schedules may be required depending on organization type and activities



Implementation

- Organizations with less than \$25,000 in gross receipts may file the Form 990-N
- Timeline
 - 2008 tax year – gross receipts GTET \$1 million or assets GTET \$2.5 million
 - 2009 tax year – gross receipts GTET \$500,000 million or assets GTET \$1.25 million
 - 2010 tax year – gross receipts GTET \$200,000 or assets GTET \$500,000



Governance

- Part VI Schedule B
- The prior form asked if the organization has a conflict of interest policy.
 - Sample policy may be found on <http://www.irs.gov/instructions/i1023/aro3.html>
- Defines conflicts of interest, individuals covered, procedures to follow
- Arises when person in a position of authority may benefit financially from his/her decision



Governance

- Whistleblower Policy
 - Encourages staff and volunteers to come forward with information on illegal practices or violations
- Retention and Destruction Policy
 - Identifies record retention responsibilities
- Procedure for Reviewing Compensation
 - Is compensation reviewed by a governing body or compensation committee
 - Use of data for compensation



Compensation

- New Part VII and Schedule J
- Focuses on compensation for officers, directors, trustees, independent contractors, and key employees
- Five highest paid non-officers more than \$100k
- Former officers, key employees, highest compensated employees paid over \$100k from past 5 years
- Former directors and trustees paid over \$10k



Compensation

- Compensation must agree with W2
- Internal policies
 - Pay for dues
 - Reimbursement
- Requests compensation for 5 highest paid independent contractors over \$100k
- Monitor conflict of interest



Foreign Information

- Part of Part V series of questions
- Does the organization own foreign bank accounts
- Does the organization receive foreign grants
- Are there offices in a foreign country



Marketing

- The Form 990 is also viewed as a marketing tool for the organization
- The new Part III Program Service Accomplishments requests:
 - Organization's Mission
 - Significant program services
 - How services are conducted



In Summary

- Leaders of organizations are being held more accountable
- Need to establish appropriate governance policies and practices
- Evaluate efforts to comply with new rules
- Review the form to determine what you need to implement
- Use your auditor and accountant as resources

